



Office of the Mayor
Thomas M. McMahon

MAYOR'S 2011 BUDGET MESSAGE TO CITY COUNCIL

Friday, October 1, 2010

Today, consistent with my obligations under the City of Reading's Home Rule Charter, I am submitting my administration's preliminary budget plan for 2011. As you are aware, the City of Reading, like most of our counterparts across the Commonwealth of Pennsylvania, is facing significant financial challenges which force us to make difficult choices to overcome long-term structural deficits. Therefore, in accordance with the Municipal Recovery Plan adopted by City Council on June 11, 2010, next year's preliminary budget includes increases in property taxes and earned income taxes, with concurrent expenditure reductions.

I would like to call your attention to the following:

- Our 2011 preliminary general fund budget plan calls for \$70,684,459 in expenditures and \$70,461,182 in revenue (compared to \$64,994,810 in 2010). A large portion of the \$5.7 million increase in expenditures is due to higher pension contributions (\$3.4 million), higher debt service obligations (\$2.4 million), which includes the \$1.9 million payment for the \$16.5 million unfunded debt, and higher Fringe Benefit costs (\$1.5 million). The \$7.3 million increase was offset by \$1.6 million in reductions.
- The budget assumes that agreements will be reached with both the Reading Area Water Authority and the Reading Parking Authority resulting in additional transfers to the general fund as provided in the Recovery Plan. Even so, we must rely upon the failsafe revenues called for in the Recovery Plan in the preliminary budget plan, including a 22% increase in the City's portion of the property tax. This tax increase will result in an overall property tax increase for City property owners of approximately 7.44%, or an average of \$11 per month on a property assessed at \$50,000.
- Consistent with the Municipal Recovery Plan, we will seek court approval to increase the City's portion of the earned income tax by 0.4% for City residents, and to establish a temporary 0.3% EIT for non-residents who work in our City and benefit from municipal services.
- A modest level of further personnel reductions will be required to meet our budget challenges for 2011. The 2011 Budget contemplates a reduction in the authorized number of positions in the police force by 11 next year, which reflects our current level of staffing; 10 of these positions are eliminated pursuant to the Recovery Plan, and one fewer officer will be assigned to the Reading School District.

- Administrative support, clerical and supervisory positions have also been consolidated wherever possible.
- The Tax Administration division is being eliminated and most of its functions transferred.
- Operating assumptions regarding Fire Department operations are tentative, as we are only now beginning the arbitration phase in our negotiations with the IAFF, which will have financial implications for the 2011 budget.
- Non-represented personnel will have wages frozen in 2011, and those with salaries of \$50,000 or higher will have a 2.5% wage reduction in 2011. All labor agreements which provide for wage increases in 2011 will be honored.
- Contributions by the City to employee health care expenses will be limited based on guidelines in the Recovery Plan, and will impact first-line supervisors, non-represented employees, and firefighters in 2011.
- Employee furloughs remain a potential stop-gap measure to meet the operating budget in 2011.
- The 2011 plan also provides for greater efficiency in delivering basic municipal services. Building and trades, the call center, solid waste and recycling, treasury, and the remainder of tax administration will be consolidated into a new Citizens Service Center beginning in January, 2011. We also plan to expand hours of operations, increasing convenience for our citizens.
- The budget proposal provides a slight increase in funding for the Reading Public Library in 2011 compared to this year.
- The preliminary Capital Improvement Plan for 2011 provides for initiating \$1.58 million in new capital investments in the coming year, which will result in about \$5.25 million in capital improvements planned or in progress.
- Debt service in the 2011 is budgeted to total \$11,101,192.

My team and I look forward to working with City Council in developing a final budget plan and laying the groundwork in 2011 for City's long-term financial recovery.